NIXON PEABODY LLP
ATTORNEYS AT LAW

100 Summer Street
Boston, Massachusetts 02110-2131
(617) 345-1000
Fax: (617) 345-1300

Robert L. Dewees, Jr.
Direct Dial: (617) 345-1316
Direct Fax: (866) 947-1870
E-Mail: rdewees@nixonpeabody.com

July 20, 2005

By Courier and E-File

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02202

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed please find Bay State Gas Company's Response to RR-AG-20 for filing.

Very truly yours,

Robert L. Dewees, Jr.

RLD/tlm
Enclosure

cc: Caroline O'Brien Bulger, Esq., Hearing Officer (CD enclosed)
A. John Sullivan, DTE (7 copies)
Andreas Thanos, Assistant Director, Gas Division
Alexander J. Cochis, Assistant Attorney General (4 copies)
Paul R. Osborne, Assistant Director, Rates and Revenue Requirements Division
Service List

BOS1511729.1

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 19, 2005

Responsible: Danny G. Cote, General Manager

RR-AG-20: Provide a transcribed copy of Mr. Anderson's (Rudden) meeting notes of August 5, 2004. (See AG-14-19(a)).

Response: Attached as Attachment RR-AG-20(a) is a transcribed copy of Mr. Anderson's (Rudden) meeting notes of August 5, 2004 and subsequent notes. (See AG-14-19(a)).

In the process of transcribing Ed Anderson's notes, it was determined that Michael Mount of Rudden also took notes of the August 5, 2004 meeting and subsequent meetings. Attached are his handwritten (Attachment 20(b)) and transcribed (Attachment 20(c)) notes of those meetings.

The following is a transcribed copy of Anderson's (Rudden) meeting notes.

Page 1

8/5/04 10am call when leaving

Kick-off meeting @ BSG in Westborough, MA office

Rich Rudden (RR)
Mike Mount (MM)
Bob Obrien (BO)
Dan Cote? GM (DC)
Steve Bryant? Pres (SB)
Patricia French? Legal NS (Trish)
Tom Birmingham- Managing the rate case (TB)
Doug Casey? 17 years (Doug)
Rob Dewees- legal (RD)
Keith Dalton mgr engineering & construction (KD)
John Nerdon? en? works for Keith (JN)

SB- its' been 13 years
-most important issue- Brockton
infrastructure- mains & service signs need to be replaced @ condition

- Increasing inc - leaks
- not looking to break new ground
- starting early @ too much preparation
- collaborative effort- team
- plan to spend more in 2004 05

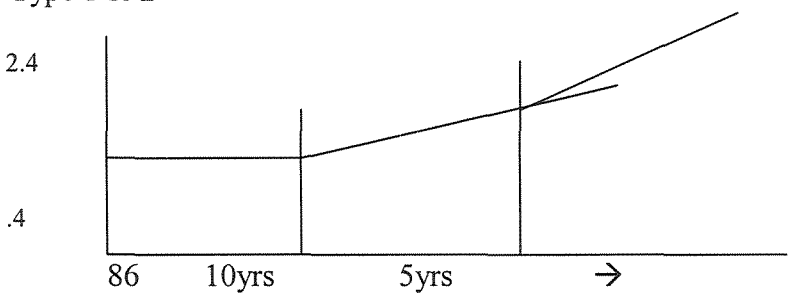
DC- bare steel (BS) & CI (cast iron)
Focus on BS 1st
Operating differences
different wall thick
Corrosion effects

SB- What if we increase spending to $20mil/yr

Page 2

DC- Sees mains deteriorating linearly from his data

Type 1 & 2



In 18 yrs
change factor x

To do Ed – Compare to other utilities use DOT data (- test - do 02 1st or 03 if avail)

SB- We're telling the Dept we want to do something about these pipes

DC- They are replacing worst mains 1st .
New pipe ~ $50/ft compared to maybe $5 original.

Page 3

SB – general = BS is a USA infrastructure issue @ Post WWII expansions.

- These assets will be immediately used & useful.
- DC has met wit Acting Dir. of pipe safety at DTE

DC- wants to make sure leaks are being managed
and enough staff & crews

More leaks = more risk

BSG looks for minimum year end leaks
last years had 100 left
higher than normal.
Felt strain in staff. (need back staff-extra staff)

If leaks increase would need to hire more staff more contractors.

Want to get aggressive with replacement. mains, worst 1st.

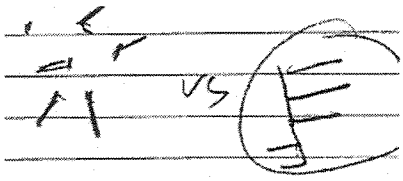
Leaks will continue to increase for few years till mains retire / replace show impact

Page 4

DC- Today's model of worst 1st is not as efficient as planning further ahead to replace larger areas - towns- more crews

In +

Better cost per
Coordination



Better bang for $

DC- Muni's (towns) can't impose it's own standard or costs for utility, const that are not related to utility costs

BSG meeting w/towns & state (improve relationships win-win if possible)

SB- need to increase rate base to cover these costs

DC- has shared data w/ safety staff

Page 5

DC- Discussion about Fed Transmission effort
Dist efforts future

DC- concerned the leak curve will rise exponentially

Compare to MA Co's (companies) & others

DC- BSG leak survey every year

DC- 4 types of mains in their system

CI BS CPWS Plastic

Risk mains 80-45 yrs? Should have no leaks

BSG 34% BS & CI
15% 18

CI at most risk due to physical movement
especially small diameter

Look at National BS data Leak/mile

They think Brockton 1st

Springfield
Lawrence

Page 6

DC- discussion about discussion w/ Dept
Agree- with urgency-need

N Hampshire regulatory precedent?

ME small diameter CI over 10 yrs?

Lets benchmark to other Co's
National
Regional

Show #'s - be prepared

MA audits routinely field & BSG procedures - generally good

DC- Brockton 100#!

Not normally needed but load growth makes necessary to increase

Page 7

pressure when cold-

Then drop pressure down to min leaks

DC- need to show others the comparison data to other Co's-

DC- Kansas P&C large service replacement program yrs ago 10?

Dept will be complete
Maybe their own experts or outside

CI/yr?
BS/yr
L/m
L/service

File sizes
complete data?
Co's?
MA
Region
Others

Use DOT data

Select Co's for comparison

Need criteria
Multiple yrs

Big
Little
Muni

Page 8

Discussion about Dept field inspectors

W/crews #days/wk? - 4?

Very familiar w/BSG wk

Always checking

BSG SOP (standard operating procedure) Book ? - get it

Leak survey program – described
Verify have it

DC- after merger BSG SOP (standard operating procedures) book in place & updated each yr

Get copy

SB- Dan C is the main contact on pipe issue

DC- call me

SB- lets make our deadlines keep on schedule

TB – discussed sharing info and data
He will follow-up

Page 9

SB – We think we started early enough on preparing case

Trish – earlier than later

SB – Early Nov – late Oct

TB –

1. Rate case starts wk 9-1 outline due
2. SB presentation to RMC/board? 10-15
3. Testimony written 2-1

SB – earlier?

RR- We'll prepare our outline – what is needed to do by all of us
Sept 1

DC- want to see if our analysis comes to same conclusion
- validation - sanity check

RR- we need initial work
Physical case
Business case
Benchmark→

Page 10

Benchmark costs?
No data avail

Joe T can help with data-

DC- they are tracking capital spending
Staying on top of it
Getting sign offs-
Field data – corrections Q/C (quality control)
Make successful
Make sure used in 05

SB- discussed KS order

Think about options for BSG

DC- do we have to show other Co's in comparison? - no

Page 11

TB- Hired former Dir Engineering Paul LaSoto? to help compile & support cap projects

Break

DC / KD
MA code survey 2 yr
Federal survey 5 yr

BSG 1yr
DC- safety, reliability
So want to get on top of this now

End of KO meeting –

Keith – John
Process

Page 12

8/6

RR – Debrief with Rudden team
Good meeting
Joe T – on team
Maggie admin also

8/9

Joe T
Discussion about filter of DOT data
Discussed different ideas
50 miles
50000 services
No BS or CI → out
Noted label on files missing in 96 95 94 93
Call DOT

8/9

Called OPS (Office of Pipeline Safety)
Jeff Tansel? 202-366-8075
Dave Gibson 202-266-0389 - due by 8/15

Page 13

8/10

OPS called back
They will fix column heading 8/15
93 also missing
97 = 1 extra column had to fix

98 ok
Do compare -

8/10

Joe T – Filters
50 mi
1 mi
no BS
Services
Others
50 captures most

8/10

Starting data review

8/18

Doug – progress discussion - regional states

8/18
Doug - left v-mail

Page 14

8/24
Doug – with Mike
Activities based budget.xls $54/ft?
Brockton – other areas

Looking at % BS main – leak review
% BS + UPCS

Brockton data – Brockton
Springfield
Lawrence
We'll need to also speak with others about budget $
unit costs, etc.

Doug – will identify who can help

8/25
Joe T –

full data base = 1291 Co's – 2003
States keep – CT NY MA NJ RI NH ME VT

Some missing data -
Nat Fuel, Valley, KS NH, Fall River

$8= new? Low (w/o digging?)
$54 – replacement

Q – other leaks rely mostly joint clamp leaks?
Yes

Page 15

8/27

Doug –
budget Questions – other data
update

8/27

MM – business case discussion – O&M prediction as mains are replaced

8/30

BSG –
MM spoke w/Ed O

8/30

BSG budget talk

Colin Nesbit (CN)– budget manager – (discuss more unit cost background)
Doug, MM
Discussed Activity Based budget
Brockton Distribution June 04

looking for historical data so we can forecast under different scenarios
Activity Based Budget – costs/units

Based on combo – historical and known changes –
prepared by managers for Brockton, Springfield Lawrence
Guidelines – assemble to best info available
CN – "it's a best estimate."
CN – variability of capital can be extreme – such as

Page 16

Inserts, inexpensive vs. direct bury –
we use avg's (averages)– with overall budget

CN – 3 division / areas can be different because of different conditions
jobs in location
Brockton more Bare steel
Springfield more CI

Who does work?
Brockton – union leak locate
Springfield + Lawrence outside leak locate

CN details of pipe in individual jobs – details

CN updates
Mains – monthly updates
- current and future work estimate act by project
- - year end change estimate vs. actual all jobs / yr
- - new budget 6 mo earlier
- Construction April
- Budget Aug?
-

Builder digs $8 / foot – type job

CN – not loaded costs

Doug – CN if there is more work that must be done , greater than Budget
Then – go to corporate to help manage the $ issue

Page 17

CN – update forecast every 3 mo for capital planning

Doug – provide by div
O&M, CAP variance report
Volume –
bar hole 150 = dry hole
Investigate 1200 = repaired

Loadings –
CAP - ok
O&M – need more info

CN – 1 yr forecast for unit costs

Discussed feet/year or $/yr

8/31

MM – follow up

8/31

BSG
MM, Dan, Doug, Keith

Every HP leak = greater risk – especially in winter

Explained 50' criteria

DC- outside force – CI breaks yes
Other mostly JC (joint clamp)

Brockton – 100# most areas are 60#

Data is what it is – can't be business as usual

CI -
MA – mandatory CI program
CI leaks level - relatively

Page 18

How many Co's in comparison?
1291 – too many
Too much noise
About ~ 70 + > 50 miles

In region ~ 20
CT MA ME NY NJ NH RI VT

Discussed other ideas of data available
Not in DOT database

2002 warmest winter in 102 years – (drop in # leaks)
and kept pressure down – 65#

Focus on Brockton – its their problem area with leaks – work order system tracks –
a tool
Leaks by town

RR What O&M offsets about replacements
$ OM down when?
$ capital up immediately

DC – use own $ smartly – less 1000' segments and more 5 miles
- corrosion ranking of towns
Age, miles, pressure, size, # leaks cheaper and faster

Leak data by pipe size? Not certain

Page 19

8/31

DOT OPS Dave
Data 2003 – missing Co's
93-96 headings
he will call me back
???

8/31

AGA
John Ranfone
George Mosinskis – 202-824-7341
from SoCal
Andrew Lu – 202-824-7342
Left v-mail with George

9/1

Doug
agreed to use 2003 data with missing Co's
We'll try to get missing data

9/1

Keith D, Doug
Capital construction side
90% of wk with contractors for capital
CI + BS – 98% of volume
Work identified in Jan or after winter
Leaks on maps reviewed by OPS + corrosion

Page 20

management staff looking for patterns + areas
Also review WO system output for patterns + areas
Judgment of BSG management vs. a X# leaks/mile rule

Capital $ with contractors – locked in price
OCM – OP center mgr
Bill St Cyr – speak with him

9/3

BSG
Bill St Cyr, Wayne, MM
Unit cost of O&M discussion
Process for unit cost development
2 inputs
a good amount driven by codes
1) leak survey – state and fed 50% annually mains – BSG exceeds codes
state & fed 33% annually services + follow code
outside contractors
winter 100 80-100#
summer 55#

actual BSG practice 100% annually
plus other surveys
e.g. Frost, CI
winter time flame I on BS mains
more leaks found when pressure is increased

Page 21

2) corrosion CP (cathodically protected) Steel
Surveys mains 3 year pipe to soil potentials
Services 10 year – outside contractors

Contractor bids = unit costs for surveys
(daily rates, known history of miles/day etc)

BSG supervisors visit crews – not 100%

Leak investigation – customer call or found by survey
- BSG or contractor investigates
- No leak = investigate with no leak repair
- If leak = repair costs

- leak volumes are historical plus some judgments

- look at historical labor hours and rates, materials used
- purchased costs
- use judgment – look for reasonableness
- police cost included – survey to RMS ?

DOT service leak # includes leaks on meters
(not unusual)

Retirements – when activity is completed transferred from O&M & close out to capital account

map updates – 100% Co. labor
Use year end numbers

Page 22

Fit (leaks) = threads on meter valve –
simple thread repair
or BSG service replaced

9/7

Steve V
I think with Tom Morgon SAV retired
going for Ph.D.

9/7

Kansas PSC
Phil Sanchez 785-271-3713
Utilities div
Docket 176 716-U
176-768-U

9/7

MM
Prepare needed now more than in past
Status quo is not acceptable
We can't flick a switch and replace the main – it will take time & $

Page 23

9/9

MM & Bob O
Safe and reliable
Discussed full vs. partial –
need to go for full replacement of BS
services go with mains

9/10

Doug
C1 = flat ~ leaks
likely not to need a tracker
open leaks = pending leaks
Ed Collins? Does DOT report compile data

9/14

MM
Data collection review
Show 2003 all Co's data vs. BSG
Help tell the story data shows

Also plot by division to show differences

Page 24

9/21

DOT data with Joe T
Fixed 93, 4, 5, 6 column headings
2003 still missing some companies
available backlog leaks & backlog leaks/leaks repaired vs. others
Used by NYS PSC

9/24

Doug
Q – how BS + UPCS replaced services
STD (standard) practices - BGS & industry
Switch overs to new main – plastic
Retirements of main

9/29

Doug – v/mail
missed–

9/29

Doug
UPCS (unprotected coated steel) is treated as BS
not economically feasible to replace

Page 25

Keith, Doug 3:30 – (Keith good source)

UPLS – BSG determined that the balance are not viable for CP (109 miles)
Below 60's coating STDs
Felt wrap, paint, coal tar, spiral wrap
Asked for more info

To DC (Doug)
BSG review of pre '71 UPCS not ok for CP
analysis or report

10/1

at BSG in MA
Steve, Danny, Doug, MM, Tom, Bob O

DC -- CI installed in Springfield later
newer pipes in Springfield + lower pressures
Need to advise Dept. on the issue to paint a clear picture of the issue we face
As replacements are taking place, we will change
if replacements are needed in another Division

Start in Brockton then Lawrence and Springfield and target other areas that have characteristic of higher leak numbers as Brockton

Page 26

DC - UPCS very mature

- Large volume CP'd (cathodically protected) over years / review done years ago
- They effectively culled out and not more to be gained
- Maybe a small amount could be CP'd but doubt it based on his knowledge vs. replace

- (More effort to replace at this point)

- When BS and UPCS is replaced, services will be automatically replaced – STD practice

- Forecasting
  pipe condition – 2 drivers on replacements
  muni CSC (city state construction) – may not be a bad segment (happens often enough)
  -Hard to project O&M savings
  Not right away

We don't want to flatten the curve – we want to drive it down

Page 27

End yr leak BL (backlog) important measure
Discussed ratio year end backlog/leak repaired without 3rd party
as a levelizer
Used elsewhere – NYS PSC

Discussed having a leak expert review findings
Heath is a recognized leader in leak detection and investigation
Doug – will get us a contact

SB - Discussed review of capital projects by management
and post project review – improvements

Paul LaSoto? For BSG doing review of past projects & docs work orders, Blue sheets pre estimate, actual costs, approvals

DC – in past reviews of projects took place
reported by exception vs. every one

MM – financial model
O&M unitized current x (times) increase in leak rate
new pipes = no leaks
BS fully depreciated

Page 28

Plastic 55 yr life

DC – 8" largest plastic diameter
Greater than 8" = steel

DC - their bidding large projects lower $ than average annual bids

DC – BSG budgets for direct costs
DC - 2005 maybe will be $20 mil capital and its not in the case

SB – new program = Brockton

Next steps

Follow up w/Doug - any other data

10/14

Doug – update , discussion

Page 29

10/18

Doug & Keith –
discussed variation in Brockton system pressure during days when cold to keep system up

Objective to keep pressure at min while maintaining adequate pressure
(growth driver)

10/19

Heath Consultants - Lomax 800-432-8487
570-368-8583 cell
Discussed support

10/20

610-639-3474
Paul Wehnert (Heath) pwehnert@heathus.com
713-844-1391

10/22

Jack Stillwagon – Heath
Cell 412-977-0206 on road a lot
Discussed need –
asked for cost estimate – reviewed his background –
very strong in leak investigation and corrosion control

Page 30

10/25

(discussion with) Heath
- $125/hr
- regular consult agreement
- confidentiality agreement
- contract

then we'll tell Heath it is BSG

10/25

Danny, Doug, MM

UPCS vs. CP (unprotected coated steel vs. cathodically protected coated steel)
(CI is not without risk but in our proposed program. Risk is not escalating based on leak data)

DC – explained that the Co followed DOT 192

- BSG identified what could be protected
- 3x5 cards on each segment of steel
- BSG engineers best knowledge and judgment, they made determination
- Protected 100's of miles of pre '71 pipe

- Data 100's segment cards that say – cannot be protected
- Dan will document process

MA audits it every year – no documentation of positive results

Page 31

Safety section of Dept. does reviews – familiar

DC- ok to have Heath -- that would have operating experience otherwise no

DC- MA code every 2 yrs leak survey –
they do it every year

To do – check codes

10/26

Called heath – Jack - onboard
I'll send paperwork
1. confidentially 1st

2. then client name
3. if no conflict – ok to work

11/2

Heath – Ken Cowher? 724 872-3007
Got papers – will send back

11/3

MM
Reviewed Heath assignment
Review our comparison of DOT leak data for reasonableness, assumptions & results

Page 32

11/8

Sent Doug year end backlog review
Left him v-mail with question – why increase in 2003 to 101? (from 20)
2004? Estimate

11/9

Doug
Says Danny and Keith say
- increase in corrosion leaks
- manpower constraints
- thinks 2004 ~ 50 in backlog
- Co (workforce) stressed by extra leaks

11/9

Rudden team discussion
Any other data – WO

11/17

Steve, Doug, Tom, MM
Analysis update – using DOT data
Discussed how Co collects data or work activity in WO system

Page 33

Accounting system collects costs (Asset Mgmt System)
AMS DOT
DOT is in WOMS (Work order management system)

11/19

Rudden team discussion
BSG vs. regional Co's

11/23

Joe T
Discussing spreadsheet questions

11/24

reviewing with Joe T leak model
how to compare

11/24

MM feedback on data

11/29

Doug, Tom, MM
Update on data review

12/3

Rudden team talk about data review

Page 34

12/6

Doug
Discussion about separation BS from UPCS in Co systems (don't)

Can report be done by holidays – draft-

12/6

MM from Doug & Tom
For compare
BS focus BS miles

12/10

Jack S
Think UPCS will show greater rate of corrosion vs. BS
- Coating ineffective
- Shorted to other buried structures
- Coated pipe has less exposed area so higher leak rate

His experience = more leak/mile on UPCS vs. BS
So we are conservative
At best UPCS could be equal to BS leak rate, normally worse
Conservative when we assume BS & UPCS corrodes equally because we don't have separate data

Page 35

If coating is ineffective = BS
or the more it is ineffective, the more = BS

Update MM

12/16

Doug, Tom
Update

12/17

Doug, Dan, Tom

Stay focused on Brockton
Compare it to other Co's, it is where our issue is

Comparison data will help illustrate need to increase replacements

Financial model should have options - ranges

12/20

Jack

Discussed draft / follow up tomorrow

12/21

Jack continued
Brockton

Page 36

HP footnote – help reader understand better
HP = greater volume gas escaping vs. LP
Does not make leaks – heath & Jack believe pipe does not know HP vs. LP at this pressure, no difference

HP equals increased volume equals leak detected earlier than LP

1/3

Jack brief

1/18

internal discussions

1/20

CC (conference call) with Doug, Tom, Steve, MM, Marie
Feedback and BSG update on data – DOT

1/26

CC with BSG update DC, TB, SB, Doug
Confirm Brockton DOT good

Page 37

1/31

Update with BSG (Doug)

2/1

Doug, Dan, Tom, Steve

leaks are increasing
year end back log was steady

year end backlog/ leak repaired was steady
reduction in inventory – mains

Reviewed findings
Leaks linear increase vs. exponential

Increase not in customer's best interests, must prevent going exponential

All non-plastic services will be replaced when main is replaced or retired
"Tie overs"

2/8

MM quick update

2/16

Mike- his report

2/18

Publish DOT comparison

Bay State 9/5/04
Steve Bryant
Dan Cody
Doug Casey in Steve's group
Rob DeLeeuw - Outside Attorney
Tom Birmingham
Keith Dalton - Mgr Engineering & Construction
Trish French - NiSource Attorney works for Dan Cody

- Per Steve this most important issue
- no new ground in rate case except this issue
- starting early for 2005 rate case
- alot of changes since last case w/2 merger
- Brockton facilities the primary issue & rate of replacement
- operational reality. leaks reliability accelerati-
- will be asking DTE for a departure
- Boston Gas (Keyspan) already has a previden one issue rate maki ->

Agenda Item II

- Central theme is current depreciation can't fund expansion assuming spend $20M/yr over depreciation
- RR = 15% to 17%

- base rate case is ~ $10M increase
  ~~report~~
- then plan to put $20M in ground in 1st yr 50 immediately behind
- NiSource driving to reduce debt to

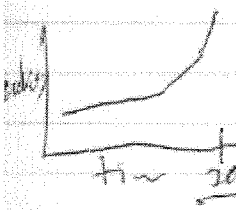
- Step increases puts BSG in best po: Chairman of NiSource says he who has best regulatory structure will get the capital

Dan Cody

CI could be 100+ years old
BS started use in 1920-30's

★ Case should focus on BS but woul like to include CI

Corrosion
- Unprotected BS degrades fairly uniformly
- 1986 0.4 leaks/mile
  all referenced are type 1 & 2 leaks
- went to 0.8 in 10 yrs
- went to 1.2 in 5 yrs
- went to 2.4 in 3 yrs



- Hearing that nationwide avg = 1 lk/mile
- Cathodic protection not practical so replacem is only option

- current replacement schedule 50-60yrs
- system doesn't have 50-60yrs left
- Question at what point in curve are you no longer a prudent operator if 192.465 requirement is not being met
- generally replacing facilities @ rate = to dep for overall plant
- Historical plant being replaced is ~ $5/ft installed it is being replaced @ 50,

Dave - Consider theme that all U.S. gas infrastructure is dated & degrading

- Dan met w/ pipeline safety head @ DTE & they asked why isn't everyone coming in w/ this problem
- winter leaks a bigger problem since frost cap force gas to migrate to sewers, base etc
- they try to deal w/ all leaks prior to winter
- have cut 15% of workforce after merger but now have hired them back
- will need to add replacement program even w/ construction crew 4 years

- will take 5 yrs of accelerated replacem in Brockton to get leaks back to current rates & will have rising O&M costs for 5yrs+

- The Project, ~~as it stands~~ will not segment by segm be linked to the worst segment they ~~[illegible]~~ :

\# - For efficiencies will want to do larger regions towns @ a ti- i.e lower than current average contractors will give the lower prices

- better for town planning to have larger project

- town leaders unlikely to positive about any work due to costs

- construction will increase local property tax

- Rate impact ~ 1% per year for 20yr w/other elements adding 1% total increase w/ program & other

- Currently focused on 20yrs Program to balance rate impact & need.

- Their plan is $20M rate base increase per year for ~~$~~ 20 years

---

DTE Safety Staff discussions, informal

Keyspan got cited recently under 465 when house exploded for failure to monitor corrosion

- Eastar
- Berkshire
- Keyspan

- They want us to collect New England & nation DOT data for comparison will look bad vs nation & good vs New Engld

- DTE staff was in agreement regard leak increase & need to start something

- Have one step adjustment in NLT & plan one for main

- DTE always in house but @ BSG but very micro analysis
- DTE safety has request BSG get national leak data & curves that show ...

- load growth in Brockton is driving them to operate @ close to design pressures 100 ~~lb~~ psi

- Look @ KPL Kansas for BS service got in trouble a few years ago ~ 10 years ago big explosions

- Commission is opposed to frequent rate cases

- Dan feels they get independent audit 3 times a week w/ DTE monitoring their crews & DTE monitors perform process against BGS O&M Standards

- Dan very comfortable w/ O&M manual & process

3 Corp Philosophies @ NiSource

- Bay State & Northern thinks O&M manual is strictly reg'ts to meet code.

- Columbia puts everything in O&M, training spirit of way.

- Doug Casey new lead for Program
- Don't hesitate to call Steve B.
- Have @ least ~~monthly update on status of project maybe every~~ two weeks
- ★ MDM Commit to status report every 2 weeks on email Exec level bullets
  - status
  - on-going
  - next steps
- talk to Doug about report every 2 weeks
- Need to start data tracking tool
- Need to stamp all material w/ BSG litigation wording
- Bryant will send us rate case schedule
- Rate Case filing in April 2005.

Steve - They are not up against a hard schedule but need to resolve this earlier rather than later
- Want product late October to Early No

- Pacific Economics - Kaufman is their PBR expert same as Keyspan's Witness

Paul

- Plan on getting together w/ deprec & COSS & PBR experts by early September
- ~~Table of Contents~~ Draft of work effort (TOC) to them by next week final by Sept 1
- Draft Record by Oct 15 ~~regarding~~ rate recovery
- no formal report, Keep regulatory strategy sep
- We need to pick our benchmarks carefully to avoid unwanted interven

- Business Case Components
  - Need - ~~Sept~~ 10/15 National, Regio
  - Economics/BCase 11/1
  - ~~Comparable Companies~~
  - Regulatory Strategy 11/1
  - Draft Testimony 12/15
  - CAPEX mgmt Process & Template
- Need to review CAPEX decision making process & capex mgmt
  - Keyspan had an issue w/this in M.
  - dealing w/ estimating/overruns
- Review Keyspan Order

→ MDPU asked for copy of all rpts/audits etc from Dan in recent history by Sept 1

- Use a key code for all plots don't ID company

- Paul LaShoto former VP hired back to compile support for all projects over $50K

- Replacement Investment Model "RIM"

  - current model is a derivation of old BS model at prior to that the Maine CI model

- RIM is used for discretionary capex it is not for deciding when funds should be spent just how to allocate it

- it was last updated last Summer.

★ Steve wants to talk about data needs

- bubble chart time/threshold is adjusted each year based on available capital dollars

- Run leak prediction is a simplified calc only for use in model.

☆ - Would like info on an leak detector method or model.

- Possible Meeting wk of Sept 20th in Ohio Columbus, OH to get all rate consultants/staff together

Doug Casey Bay State 8/17

- Keith D said no corresponded w/ DTE

- 7 & 9 in process of pulling data together

- updated document status rpt based on his comments

- he said status report

110norwoodgallery.com

Larry Frazier

Ron Kent

3 day guarantee

Bay State
Budget Talk

9/30/04

Colin ~~Collins~~ Nesbitt
Doug Casey
Ed Anderson

- $ Combo of historical data + known changes going forward
- prepared for each operating center
- Best thing

★ - Cannot Compare locations need to do each district separately

- Budgets are developed ~~6~~ months prior to end of year

Budget time
Construction April ~ ~~Oct~~ Nov 9 months

- Engineers do $ & Volumes
- OCM does leaks & locates

0101 150 dry holes = 101
0102 leaks Repair Main 200 = 201 = # of repairs
0122 Where Pipe comes out of ground to

Aug

- Budget is don't loaded rates
- Budgeting loadings will be tough

- actual data 2001 - 2004 Act & Bud
  for all 3 Divisions for capex & O&M
- OH Costs for each Div.
  for capex & O&M
- Doug will arrange meeting w/
  Div Engineers who do budgeting

Keith
Dalton
is super
& Doug will
set up a call
w/ him

John
Wayne - Brockton

Mike
Marks
Ana
[illegible]-1414
x12

Rich F.

Bay State Telecon

Dan C — From Dan
- leaks are raising faster than we are replacing pipe
- can't continue as normal
- recommend raising % BS to 4.5%
- use >50 miles
  >5000 services
- Wants to look @ KP&L data & Atlanta Gas Light } both under BS rep mech

- verify your operational relationship
- develop leak predictions
- need to spend more time thinking about it
- but need more data

- wants to look @ 5-10 companies or greater

888-445-2101
[illegible]
Fax 1000-684-5066
date of birth

- limit analysis to just BS now but want order open enough to be able to address CI if that becomes a problem in the future
  ((Ask Ed to confirm this))
- want order to cover any investment beyond depreciation

Should have mentioned in order

- working on developing data base by town
  - # mile of main
  - # leaks
  - # avg age of pipe
  - # [illegible]
  - # low MAOP
  - weighted class on open repairs vs completed re
- Winter Degree Days

☒

Keith Dalton 9/1/07

- RIM populated in Feb-Mar late Summer to early fall
- RIM uses rule of thumb estimates for initial RIM
- If project gets funded then a field estimate is done to populate WO estimate but better estimate does not go back into RIM
- CAPEX budgeting it is also rule of thumb
- 93% construction done by contractors in all 3 divisions
- contractors are kept on multi yr contracts w/ no intake to #

- Main Replacements are 98% BSG CJ

BSG

Bill Cyar [illegible] BSt.Cyr@Nisource.com 9/3/04

= Budget Best Survey

Volumes for Leak Survey
- Survey driven by code requirements
code [illegible] says must survey
50% of mains Brockton has 25%
33% of svcs

- they follow code on svcs
- in Brockton they exceed code
& survey 100% of mains in Brockton
- we ~~think~~ want 100% in their procedures
~~but will check~~
- extreme cold will do more

Same applies for corrosion
- main code requires every 3 yrs
- svcs code req'd every 10 yrs

Unit Costs
- Corrosion & leak surveys done w/ an contractor
- They bid work by unit cost or actually $/day knowing how much they can do per day
- generally multiyear contracts
- some internal labor for process also

leaks investigation

Leak Repairs volumes
Svcs & Mains
- leak volumes based on historical averages w/ intelligence base adjusts not formulaic

Unit cost
- look @ historical average costs & interject intelligence
- police assistance is largest piece of purchases

- actual year to date may have a mismatch between volumes & $ for invoices based on timing of entry

line items
101 Inv. leaks Burhoe - not alot of allocation. better to use budget data for forecastn maybe drop

0103 DOT report for services includes 0122 Svc fit leaks

[redacted]